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Report Highlights:

China's MY 2005/06 fresh tomato production is forecast at 34.9 MMT, a 2 percent increase from the year before. Tomato paste production for MY 2005/06 is forecast at 723,250 MT, a 6 percent increase. Fresh tomato output is likely to remain at current levels on stable consumption; processed tomato output is growing rapidly, driven by world demand. Fresh tomato exports to neighboring countries are small but are growing quite fast.

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Executive Summary

Fresh tomato production in China is expected to maintain a slow but steady growth on stable acreage and consumption. Post estimates China produced some 34.1 MMT of fresh tomatoes in MY 2004/05 (July-June), a 3 percent increase from a year earlier. MY 2005/06 tomato production is forecast to increase 2 percent to 34.9 MMT.

Exports of fresh tomatoes are increasing quite fast to neighboring countries, but the total amount remains low. Like other vegetables, the main constraints faced by Chinese fresh tomatoes, are food safety related. Stringent pesticide residue requirements have restricted Chinese vegetable exports to major importers such as Japan. However, government efforts to address the pesticide residue issue, and anticipated lower tariffs with ASEAN countries in 2006, should encourage tomato exports to Asian countries in the future.

The tomato processing industry has been developing rapidly in western Xinjiang province, where nearly 90 per cent of China's tomato paste is produced. Paste production is estimated at 681,970 MT in MY 2004/05, up 17 per cent year-on-year. Three-quarters of tomato paste is exported, although domestic food processing use is growing. Despite the fast growth, processors' profits are shrinking as world market prices stayed low following high production in MY 2004/05. Therefore, China's rapid increases in production and exports are likely to slow down in MY 2005/06, and are forecast at 723,000 MT and 558,000 MT, respectively.

Production

Fresh tomato area and production see slight increases on stable demand

China's Ministry of Agriculture will not release the official data on 2004 fresh tomato production until later in the summer. Post estimates China produced a total of 34.1 MMT of fresh tomatoes in MY 2004/05 (July-June), up 3 percent from 33.1 MMT in the previous year. Post forecasts that MY 2005/06 production will continue this trend, with production rising 2 percent to 34.9 MMT. Total planted area dedicated to fresh tomato is forecast at 827,500 hectares in MY 2005/06, a slight increase over 818,000 hectares in MY 2004/05.

Fresh tomatoes are produced in all provinces across China but the main producing areas are located in Shandong, Hebei, Xinjiang, Henan, and Jiangsu provinces. Tomato acreage dedicated to fresh consumption is likely to remain at the current levels as prices are stable or lower and no significant demand increase is expected. Additionally, the central government's policy to subsidize grain production due to declining grain supplies may further discourage tomato acreage from expanding.

Large amount of fresh tomatoes are grown in greenhouses to accommodate the market all year round. For example, in Shandong, a major vegetable producing province, more than 80 percent of tomatoes are grown in greenhouses. Furthermore, the yields of tomatoes in greenhouses are much higher than that in field production because in more sophisticated greenhouses farmers can grow two crops a year. Greenhouse yields can reach as much as 10 MT per mu (1ha = 15 mu), compared with the national average yield of nearly 2.8 MT per mu as indicated in official statistics. However, greenhouse area is unlikely to increase significantly due to limited land resources and high investment cost. The production inputs, such as plastic film and fertilizer, are getting more costly, but tomato market prices are not increasing accordingly (see Wholesale Market Price Table).

Crop quality keeps improving as cultural practices become more sophisticated. The central government has put great efforts into food safety: In addition to providing technical assistance to farmers, agricultural departments at different levels have stepped up efforts to monitor and improve pesticide sales and application. The government is also helping introducing new varieties that are resistant to diseases and durable for transportation. Current varieties in Shandong are mainly introduced from Netherlands, France, and the U.S.

Processed tomato production increases quickly on strong exports

Between 80 and 90 per cent of China's total processed tomatoes come from Xinjiang, and most processed products are exported. More processing facilities, mainly for paste, have been built recently in this region. No official production data on tomato paste is available. Post estimates China produced more than 680,000 MT of tomato paste in MY 2004/05 (July-June), a 17 percent jump from MY 2003/04 production of 581,000 MT. The rapid pace is likely to slow down in MY 2005/06 due to low world market prices since last September following production increases by major producing countries. At the same time, domestic production costs, such as water and electricity, keep going up. Nevertheless, China paste production is still forecast to exceed 720,000 MT in MY 2005/06.

Processors contract with farmers for their supplies. Industry sources indicate that a considerable amount of procurement money paid to farmers, coupled with increasing production costs, has resulted in financial difficulties for some large processing companies. A leading processing company in Xinjiang had to sell its recent acquisition of a major French paste producer in late 2004, largely due to capital constraints. However, industry sources indicate Chinese paste remains high quality and price-competitive against other major producers in the world. Purchasing prices for fresh tomatoes were quoted at about 0.3 RMB (1US\$ = 8.265 RMB) per kilo. A leading processor in Xinjiang in March 2005 reportedly

signed a long-term contract with an Italian paste manufacturer to provide 100,000 MT of paste each year from 2005 to 2009. Therefore, China paste production is still forecast at over 720,000 MT in MY 2005/06.

Xinjiang paste processing plants operate mainly in August and September and stay idle the rest of the year. About 80 per cent of Chinese exported paste is for reprocessing. Producing one MT of paste needs about 6.5 MT of fresh tomatoes.

Some Chinese processors are looking into producing canned tomatoes (peeled whole or diced tomatoes), as the world demand for such products is strong. There are some new operations in Inner Mongolia, Shanxi, and Zhejiang. Total production of canned tomatoes is still minor in China, but it appears to be growing rapidly. Industry sources indicate about 1.2 MT of fresh tomatoes produces one MT of canned tomatoes.

Consumption

Fresh tomato consumption unlikely to change dramatically

Most fresh tomatoes produced in China are consumed fresh. Traditionally, tomatoes are considered a vegetable but also can be served as a fruit. Chinese like eating fresh tomatoes and consume a considerable quantity in their daily life. Future consumption of fresh tomatoes is expected to remain stable or see moderate. Northern China appears to have the highest consumption. Fresh tomatoes are available all year round because they are widely grown in greenhouses.

Processed tomato consumption increasing, but slowly

Post forecasts the domestic consumption of tomato paste at 165,000 MT in MY 2005/06, and has reduced the estimates for MY 2003/04 and MY 2004/05 domestic consumption as exports were higher than expected. More availability of western style food has definitely contributed to increased use of tomato sauce that is made from paste. Different products produced from paste are more widely used, especially in the fast food sector. However, these products, such as tomato sauce, have not become major ingredients in traditional cuisine. Very few Chinese drink tomato juice but mixture of tomato juice with other fruit or vegetable juices seems to be more acceptable. Chinese families hardly consume any canned tomatoes at home.

Trade

Fresh tomato exports mainly go to neighboring countries in small quantities

Exports of fresh tomatoes grow steadily as crop quality improves, but the export volume accounts for a tiny percentage of total production. Stringent phytosanitary and quarantine requirements have blocked the export of large quantities of Chinese vegetables into countries like Japan and Korea. Hong Kong remains the largest buyer of Chinese tomatoes, followed by Russia. Fresh tomato exports to other Asian states are minor but growing. The government has been encouraging farmers to produce vegetables with less pesticide residues, but given the small scale of tomato growers, overall quality improvement is a challenge. Under the proposed free trade agreement between China and ASEAN, tariffs for major agricultural produce will be eliminated in early 2006, which is expected to boost Chinese exports of fruit and vegetables, including tomatoes, to these Asian countries. Currently, China imports no fresh tomatoes.

Paste exports expand quickly on good quality and competitive prices

China is estimated to export 527,800 MT of tomato paste in MY 2004/05, an increase of more than 20 per cent over last year. Post has increased the MY 2003/04 export estimate to 436,880 MT. The rapid growth may slow down in MY 2005/06 production season, as export prices have remained low since September (see trade tables). Chinese paste found its way to many destinations, including Europe, Asia, and the Middle East. Post forecasts MY

2005/06 export volume at 558,000 MT, a moderate increase over the previous year. China does import a limited quantity of tomato paste from the United States.

China is estimated to export some 8,400 MT of canned tomatoes in MY 2004/05, up 76 per cent on a yearly basis. Japan and Saudi Arabia were the top two buyers of Chinese canned tomatoes. China also exported to European countries in small quantities. This may become another quickly expanding export product in this country. Post forecasts China canned tomato exports at 13,000 MT in MY 2005/06.

Policy

The Chinese central government provides no subsidies or preferential policy to fruit and vegetable growers, although local governments may offer incentives. Agricultural departments provide technical assistance and market and price information about these products. The government's role is also reflected in negotiation with other foreign governments for market access related issues. Similarly, the processing industry does not receive special treatment from the central government but may from provincial and local levels.

Import tariffs for fresh and processed tomatoes reached final bound rates in 2004 under the tariff reduction schedule following China's accession to the WTO in 2001, except for prepared or preserved tomatoes (HS 20029090) that had their duties reduced from 19.2 per cent to 18 per cent in 2005. Also, imported fresh and processed farm produce are subject to import VAT of 13 per cent and 17 per cent, respectively.

Prices

Wholesale market prices for major fruit and vegetables are available regularly on the official web site of the Ministry of Agriculture (www.agri.gov.cn). The price table indicates fresh tomatoes are available all year round across China. Although prices fluctuate seasonally overall levels are low and stable.

Marketing

Wholesale markets become major distribution venues for fresh tomatoes

Vegetable wholesale markets exist in almost every county across the country. Farmers take their tomatoes to the wholesale market or wholesalers come to collect fresh tomatoes on their field. Since they cannot be stored for very long, large quantities of fresh tomatoes are sold on numerous local wet markets. For major producing provinces like Shandong, fresh tomatoes are packed and transported to many other provinces by truck. Cold storages are built for fruit but not for vegetables. When road transportation takes place in the summer time and for a long distance, the fresh tomatoes are chilled before trucking to destinations.

Tomato processors look at the world market for their products

Chinese tomatoes processors primarily target overseas market, as tomato sauce and paste are not part of traditional cuisine. Attending domestic and international food shows is a popular way to market their products. A large quantity of exported products, such as paste, will be re-packaged or reprocessed. Products are available under companies' brand or under contract or private label.

Tables

Wholesale Market Prices for tomatoes

Region	North	Northeast	Central	South	Southwest	West	China
Time	Monthly and quarterly average prices in USD per kilogram (RMB8.265 = US \$1)						
January 2003	0.25	0.29	0.23	0.20	0.21	0.26	0.24
February 2003	0.25	0.30	0.26	0.18	0.19	0.35	0.25
March 2003	0.30	0.35	0.29	0.22	0.21	0.32	0.28
Avg Q1 2003	0.27	0.31	0.26	0.20	0.20	0.31	0.26
April 2003	0.28	0.30	0.27	0.22	0.17	0.28	0.26
May 2003	0.15	0.19	0.15	0.19	0.14	0.21	0.17
June 2003	0.06	0.08	0.07	0.13	0.10	0.11	0.09
Avg Q2 2003	0.16	0.19	0.17	0.18	0.13	0.20	0.17
July 2003	0.05	0.09	0.08	0.15	0.09	0.07	0.08
August 2003	0.10	0.10	0.13	0.17	0.09	0.05	0.11
September 2003	0.13	0.11	0.17	0.18	0.11	0.10	0.15
Avg Q3 2003	0.09	0.10	0.13	0.17	0.10	0.07	0.11
October 2003	0.20	0.18	0.22	0.22	0.14	0.18	0.20
November 2003	0.21	0.25	0.22	0.22	0.16	0.25	0.22
December 2003	0.25	0.27	0.25	0.23	0.15	0.37	0.25
Avg Q4 2003	0.22	0.23	0.23	0.22	0.15	0.27	0.22
Avg 2003	0.18	0.21	0.20	0.19	0.15	0.21	0.19
January 2004	0.29	0.36	0.30	0.24	0.18	0.42	0.29
February 2004	0.27	0.33	0.28	0.22	0.21	0.35	0.27
March 2004	0.22	0.27	0.25	0.21	0.19	0.29	0.24
Avg Q1 2004	0.26	0.32	0.28	0.22	0.19	0.36	0.27
April 2004	0.21	0.24	0.22	0.19	0.19	0.23	0.21
May 2004	0.16	0.22	0.14	0.17	0.15	0.20	0.17
June 2004	0.10	0.12	0.10	0.12	0.13	0.12	0.11
Avg Q2 2004	0.16	0.19	0.15	0.16	0.16	0.18	0.16
July 2004	0.10	0.07	0.13	0.16	0.12	0.08	0.11
August 2004	0.12	0.09	0.15	0.18	0.13	0.09	0.13
September 2004	0.14	0.11	0.16	0.22	0.14	0.11	0.15
Avg Q3 2004	0.12	0.09	0.15	0.19	0.13	0.09	0.13
October 2004	0.14	0.11	0.15	0.24	0.18	0.18	0.17
November 2004	0.14	0.15	0.15	0.18	0.14	0.19	0.15
December 2004	0.14	0.17	0.15	0.16	0.14	0.19	0.15
Avg Q4 2004	0.14	0.14	0.15	0.20	0.16	0.18	0.16
Avg 2004	0.17	0.19	0.18	0.19	0.16	0.20	0.18
January 2005	0.18	0.23	0.20	0.17	0.15	0.22	0.19
February 2005	0.23	0.28	0.20	0.18	0.15	0.24	0.21
March 2005	0.23	0.28	0.24	0.21	0.19	0.25	0.23
Avg Q1 2005	0.21	0.26	0.21	0.19	0.17	0.24	0.21
April 2005	0.27	0.31	0.28	0.24	0.20	0.33	0.27
Avg Q2 2005	0.27	0.31	0.28	0.24	0.20	0.33	0.27
Avg 2005 to date	0.22	0.27	0.22	0.20	0.17	0.25	0.22

Production, Supply, Demand and Price Tables

Fresh tomato production

PSD Table							
Country	China, Peoples Republic of						
Commodity	Fresh Tomatoes			(HA)(MT)			
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Plnt For Fresh Consump	0	744500	0	750000	0	755000	(HA)
Plnt For Processing	0	56800	0	68000	0	72500	(HA)
TOTAL Area Planted	0	801300	0	818000	0	827500	(HA)
Harv. For Fresh Cons.	0	0	0	0	0	0	(HA)
Harv. For Processing	0	0	0	0	0	0	(HA)
TOTAL Area Harvested	0	0	0	0	0	0	(HA)
Fresh Sale Production	0	29320000	0	29620000	0	30200000	(MT)
Processing Production	0	3775000	0	4441000	0	4713000	(MT)
TOTAL Production	0	33095000	0	34061000	0	34913000	(MT)
TOTAL SUPPLY	0	33095000	0	34061000	0	34913000	(MT)

Fresh Tomato Exports by Country

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Fresh Tomatoes		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Hong Kong	26027	Hong Kong	45112
Russia	25803	Russia	31709
Vietnam	5649	Vietnam	4754
Macau	669	Canada	355
Malaysia	230	Malaysia	335
Mongolia	131	Macau	224
UAE	129	Mongolia	106
Singapore	111	Kyrgyzstan	54
Pakistan	20	Romania	25
South Korea	8	Germany	23
Total for Others	58777		82697
Others not Listed	15		31
Grand Total	58792		82728

Tomato Paste Production

PSD Table						
Country	China, Peoples Republic of					
Commodity	Tomato Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2003		07/2004		07/2005
Deliv. To Processors	3775000	3769000	0	4430000	0	4696000
Beginning Stocks	0	0	0	0	0	0
Production	581000	581000	0	681970	0	722500
Imports	755	880	0	830	0	750
TOTAL SUPPLY	581755	581880	0	682800	0	723250
Exports	371348	436880	0	527800	0	558250
Domestic Consumption	210407	145000	0	155000	0	165000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	581755	581880	0	682800	0	723250

Note: Production number calculations use industry standard 6.5 MT fresh tomatoes equal 1 MT finished tomato paste product.

Tomato Paste Average Export Prices US\$/KG

Prices Table			
Country	China, Peoples Republic of		
Commodity	Tomato Paste,28-30% TSS Basis		
Prices in	US\$ at Export		US\$/KG
Year	2004	2005	% Change
Jan	0.53	0.49	-8%
Feb	0.53	0.49	-8%
Mar	0.54	0.49	-9%
Apr	0.53		
May	0.52		
Jun	0.55		
Jul	0.54		
Aug	0.55		
Sep	0.5		
Oct	0.5		
Nov	0.49		
Dec	0.48		
Date of Quote	5/13/2005	MM/DD/YYYY	

Tomato Paste Imports by Country

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period		Units:	MT
Imports for:	2003		2004
U.S.	542	U.S.	834
Others		Others	
Maylasia	137	South Korea	34
Thailand	35	China	4
Italy	22	Spain	3
South Korea	21	Italy	1
Indonesia	14	Japan	1
Canada	3	France	1
France	1		
Total for Others	233		44
Others not Listed	1		0
Grand Total	776		878

Tomato Paste Exports by Country

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	1602	U.S.	983
Others		Others	
Italy	146400	Italy	95868
Russia	51862	Russia	48644
Japan	28427	Japan	33245
UK	13200	UAE	22532
Yemen	12159	Yemen	14341
South Korea	10748	South Korea	14066
UAE	9901	UK	13269
Kazakhstan	9573	Germany	10969
Romania	9292	Saudi Arabia	10586
Germany	8752	Ghana	9931
Total for Others	300314		273451
Others not Listed	102282		163758
Grand Total	404198		438192

Canned Tomato Production

PSD Table						
Country	China, Peoples Republic of					
Commodity	Tomatoes, Canned				(MT, Net Weight)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2003		07/2004		07/2005
Deliv. To Processors	0	6000	0	11000	0	17000
Beginning Stocks	0	0	0	0	0	0
Production	0	4800	0	8750	0	13700
Imports	0	775	0	500	0	200
TOTAL SUPPLY	0	5575	0	9250	0	13900
Exports	0	4753	0	8400	0	13000
Domestic Consumption	0	822	0	850	0	900
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	5575	0	9250	0	13900

Note: Production calculations use 1.25 MT of fresh tomatoes equal 1 MT of finished canned tomato.

Canned Tomato Imports by Country

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Tomatoes, Canned		
Time Period		Units:	MT
Imports for:	2003		2004
U.S.	9	U.S.	18
Others		Others	
Italy	469	Italy	870
Japan	46	Thailand	24
Australia	41	Japan	2
Canada	2	Australia	1
Total for Others	558		897
Others not Listed	0		0
Grand Total	567		915

Canned Tomato Exports by Country

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Tomatoes, Canned		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	4
Others		Others	
Japan	1748	Japan	2161
Saudi Arabia	1308	Saudi Arabia	1662
Norway	532	Norway	502
Russia	132	New Zealand	241
South Africa	66	Russia	217
Estonia	58	Estonia	180
UAE	27	Romania	163
Sweden	24	Germany	154
Philippines	17	Canada	142
Australia	11	Taiwan	119
Total for Others	3923		5541
Others not Listed	8		532
Grand Total	3931		6077